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2022

## Federal Tax Information & Withholding Limits

### Federal Tax Brackets

Tax brackets were created by the IRS to determine how much money you need to pay the IRS annually. The amount you pay in taxes depends on your income. If your taxable income increases, the taxes you pay will increase.

- 10% – on earnings      \$0 – \$10,275.
- 12% – on earnings      \$10,276 – \$41,775.
- 22% – on earnings      \$41,776 – \$89,075.
- 24% – on earnings      \$89,076 – \$170,050.
- 32% – on earnings      \$170,051 – \$215,950.
- 35% – on earnings      \$215,951 – \$539,900

### Social Security Withholding

Generally, for every dollar you pay in Social Security taxes: 85 cents go to a trust fund that pays monthly benefits to retirees and their families. That works out to an average monthly benefit of \$1,430.73 or \$17,168.76 a year. 15 cents go to disabled benefits.

The Social Security taxable earnings base will go up from \$142,800 in 2021 to **\$147,000** in 2022.

In other words, people who earn more than \$147,000 in 2022 will no longer have Social Security payroll taxes deducted from their paychecks once they hit that threshold.

## **Medicare Tax & Additional Medicare Tax Withholding**

The Medicare tax that is withheld from your paychecks helps fund health care costs for people enrolled in Medicare. Medicare is financed through two trust fund accounts held by the United States Treasury:

- Hospital Insurance Trust Fund
- Supplementary Insurance Trust Fund

The funds in these trusts can only be used for Medicare.

The 2022 Medicare tax rate is 2.9%. You're typically responsible for paying half of this amount (1.45%), and your employer is responsible for the other half.

To aid in this effort, the ACA (Affordable Care Act) added an additional Medicare tax for high income earners. This raised the tax from 1.45 percent to 2.34 percent for people with an earned annual income of more than \$200,000 (\$250,000 for married couples filing jointly).

The additional tax (0.9% in 2022) is the sole responsibility of the employee and is not split between the employee and employer.

If you make more than \$200,000 per year in 2022 as an individual filer, the 0.9 percent surtax only applies to the amount you make that is over \$200,000.

For instance, if you make \$300,000 per year, you, and your employer each pay the standard 1.45 percent Medicare tax for the first \$200,000 you make, and you pay the additional 0.9 percent Medicare tax on the \$100,000 that is left.